



INTERNAL AUDIT

SUBSTANTIVE TESTING

CASH AND INVENTORY COUNTS

August 16, 2004

Roanoke City Council Audit Committee
Roanoke, Virginia

We have audited cash and inventory in accordance with generally accepted government auditing standards.

BACKGROUND

The City of Roanoke maintains significant inventory balances as well as large and small sums of cash on hand at various locations. Enterprise fund inventories at June 30, 2003 amounted to \$1,657,196. Additionally, \$150,574 of inventory was maintained by internal service funds at June 30, 2003. Fleet Management maintains approximately \$120,000 in parts inventory for the repair and maintenance of the City's fleet. The fleet inventory is maintained with a computerized bar coding system. The City's Utility Line Services department maintains an inventory of approximately \$515,000 in parts for repair and maintenance of sewer and water lines.

The City Treasurer is responsible for collecting monies for the City. City code requires that each department deposit funds collected by noon of the next business day with the City Treasurer on a collection report. The Treasurer also handles walk-in traffic from the general public to pay any amounts owed to the city, such as taxes and fees. The monies are transacted through computerized cash registers that are balanced between 2:00 p.m. and 4:00 p.m. each day. Each register in the Treasurer's office maintains a \$100 starting change fund in addition to the amounts collected during the day. Approximately \$800 to \$1,000 of cash is maintained in the Treasurer's office for a change fund.

The Civic Center box office maintains a petty cash fund for immediate small purchases. Petty cash vouchers are required for all expenditures out of the account and include a form explaining the nature of the expense as well as a receipt to support the transaction. The Civic Center also maintains the balance of an ATM machine located outside of the box office.

Several small change funds exist at various departments within the city. The Main Library maintains a change fund of \$75 split between two registers. Money is used to provide change for patrons paying library fines and other fees. The City Clerk maintains a \$10 fund used to provide change for citizens who purchase materials or copies of items. Parks and Recreation maintains a \$50 fund to provide change to citizens paying for program enrollment or other fees.

Several departments in the city also maintain small petty cash funds. The City Clerk maintains a \$150 petty cash fund used for small purchases such as postage, small amounts of food/beverages for meetings and other miscellaneous needs. The Crisis Intervention Center maintains a \$150 petty cash fund used to make small purchases of items such as groceries and postage. Parks and Recreation maintains a \$500 Wachovia bank account used to clear money received for program enrollment. Each night, the Treasurer's office sweeps all funds over \$500 from the account.

PURPOSE

The purpose of this audit was to:

- Verify that recorded cash and inventory balances exist.

SCOPE

The scope of this audit included cash held at the City Treasurer's office, Civic Center, Crisis Intervention Center, City Clerk, Parks and Recreation, and the Main Library. Inventory held at Utility Line Services and Fleet Management was also observed. The cash and inventory was subject to inspection between March 25, 2004 and April 8, 2004. We disclaim independence with respect to the City Treasurer, as she is a former member of the auditing department.

METHODOLOGY

We conducted scheduled and surprise visits at City locations with inventory and cash on hand to verify that reported quantities existed. We gained an understanding of the procedures in place at the departments through interviews and observation of personnel. We physically observed the cash and inventory on hand and agreed the observed amounts to department records.

RESULTS

We conducted surprise cash counts at the City Treasurer's office, Civic Center, Crisis Intervention Center, City Clerk, Parks and Recreation, and the Main Library. Our review of cash on hand at City locations revealed that cash was fully accounted for at all locations observed. We conducted random inventory verifications at Utility Line Services and Fleet Management. We noted only minor discrepancies at each.

CONCLUSION

Recorded cash balances exist and are accounted for. Inventory balances at Utility Line Services and Fleet Management appear materially correct.

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